

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG (“MCDC” or “the Company”), I am pleased to present the Directors’ Report together with the unaudited financial statements of the Company for the three-month period ended on 31 March 2026.

Health, Safety and Environment (HSE)

The HSE performance of the Company to date has been satisfactory, with no Lost Time Accidents (“LTA”). The operator entity, Muscat City Desalination Operations and Maintenance Company LLC (“MCDOMC”) has completed 3,684 days without any LTA since the plant’s commercial operations commenced on 19 February 2016. Similarly, there were no environmental incidents for the same period.

Operations

During the first quarter of 2026, the Company achieved an availability of 94.35%, compared to 95.66% during the same period in 2025. The slight decrease was mainly attributable to the higher scheduled outage rate of 5.44% in 2026, reflecting planned maintenance activities, compared with 3.97% in the same period of 2025.

The water dispatch during the first three months of 2026 was 14,079,756 m³, representing a 4.8% decrease compared to 14,790,924 m³ during the same period in 2025. This reduction resulted primarily from the increased scheduled outage rate in 2026, as well as lower dispatch instructions received from Oman Water and Wastewater Services Company (“Nama Water Services”).

The total forced outage rate continued to improve and stood at 0.21% for the three-month period ending on 31 March 2026 (31 March 2025: 0.37%).

Financial Results

The Company's revenue for first three months of 2026 was RO 4.021 million whilst the direct operating cost was RO 2.458 million. Accordingly, the gross profit for the period was RO 1.563 million, which is 0.4% higher as compared to the corresponding period last year. General and administrative expenses for the first three months of 2026 were RO 0.257 million, which is lower by 0.4% as compared to the corresponding period last year. Finance costs for the first three months of 2026 was RO 0.560 million, which is 8.9% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 0.756 million which is 10.4% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.639 million for the period as compared to profit after tax of RO 0.578 million for the corresponding period in 2025.

As at 31 March 2026, the share price of MCDC was 92 Baizas (31 March 2025: 68 Baizas).

During the Annual General Meeting held on 26 March 2026 ("AGM"), it was resolved that the distribution of cash dividends in May and November 2026, to the Company's Shareholders who are registered in the Company's register as at the dates to be determined by the Board, out of retained earnings of the Company as reflected in the Company's audited financial statements for the financial year ended 31 December 2025, provided that the aggregate amount of the dividends shall not exceed Baiza 5.464 per share (i.e. totaling circa RO 850,000).

Pursuant to the authority granted by the shareholders at the above-mentioned AGM, the Board of Directors, at its meeting held on 22 April 2026, resolved to distribute cash dividends with a value of Baiza 2.732 per share out of the Company's retained profits for the period ended 31 December 2025 to the shareholders who are registered in the Company's register at the Muscat Clearing & Depository Company SAOC as at 17 May 2026, amounting to RO 425,000.

Corporate Governance

The Board of Directors and Management of the Company believe in the importance of the internal control system. The Company has a comprehensive system of internal controls in place. The Company has periodically carried out comprehensive reviews of its key internal policies and procedures to ensure its compliance.

The Audit Committee has approved the Internal Audit Plan for 2026 which is currently under implementation throughout the year.

Information Security

The Company has developed information technology ("IT") and security policy and procedures pursuant to the Financial Services Authority (previously the Capital Market Authority) ("FSA") Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies.

During the first quarter of the financial year, some enhancements were being implemented as suggested by consultants based on their assessments of the policy, procedure and IT infrastructures in the Financial Year 2025.

The Internal Audit Unit will review the implementation of the enhancement projects with supervision by the Audit Committee.

Future Outlook

All reasonable and prudent measures have been and will continue to be taken by the Company to ensure high standards of health, safety and environmental compliance, and to sustain and improve reliability and availability going forward.

On behalf of the Board of Directors, I would like to extend our utmost appreciation and gratitude to His Majesty Sultan Haitham bin Tarik bin Taimur Al Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows the Company to participate effectively in the growth of the Sultanate’s economy and to contribute in the building of a strong nation.

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Balwinder Singh Panesar

Chairman of the Board